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SUBJECT: PANAMA: NEW GENERATION OF ARNULFISTA VISIONARIES
FACES MONUMENTAL CHALLENGE

REF: PANAMA 2641

Classified By: DCM Christopher J. McMullen for Reasons 1.4 (b) & (d)

SUMMARY: FROM LOSERS TO CONCERTED OPPOSITION

1. (C) The strong push to reform the Arnulfista Party (PA) after its May 2004 electoral defeat (see reftel) raises questions about why it occurred, who can repair the damage, what are the PA's long-term prospects, and what it all means for the USG. Most observers blame Mireya Moscoso and her close associates for her failed leadership of the party. Emerging PA leaders include erstwhile Moscoso collaborators who are riding the fence as well as vehement anti-Moscoso elements who will accept nothing less than her immediate resignation from the PA presidency. The PA's ability to field a successful 2009 presidential candidate and regain lost ground in the Legislative Assembly hangs in the balance. The future prospects of Panamanian democracy also may hang in the balance, as the Arnulfistas are the only party currently capable of mustering enough strength to effectively oppose President Torrijos' stronger-than-ever Democratic Revolutionary Party (PRD). Alternatively, if the Arnulfistas fail, the PRD could become a ruling-party dynasty reminiscent of Mexico's PRI. Although it is too early to make such a prediction, Panamanian and U.S. interests will be better served by a viable opposition that can check any excesses of the governing party.

WHENCE THE FALL?

2. (SBU) The Arnulfista Party (PA), officially recognized by the Electoral Tribunal in October 1991, builds on the political and ideological legacy of its namesake, thrice-deposed President Arnulfo Arias Madrid. Arias's widow is Mireya Moscoso, President of the Arnulfista Party (until January 2006), who accompanied Arias into exile in 1968 and learned politics from him. At its inception, the PA had strong pull with anti-PRD voters, creating the potential for new coalitions that would easily have accounted for more than half of the electorate. Prompted by recent memories of Panama's 21-year dictatorship, many Panamanians rejected what had been the political vehicle of Omar Torrijos and Manuel Noriega. Arnulfo Arias himself was a powerful symbol. Deposed by the October 11, 1968 coup that initiated the dictatorship and "robbed" by an electoral fraud in his 1984 bid for the Presidency, for decades he remained Panama's most popular politician even during the dozen odd years he spent in U.S. exile. At its creation, the PA attempted to reunite the members of its precursor, the populist Panamenista Party, which had lost much of its impetus due to dictatorship-era repression.

3. (C) Rifts within the Arnulfista Party revolve around its direction under Mireya Moscoso's leadership (and whether it has deviated from its so-called ideological roots). Frequent complaints include heavy-handed top-down management, undemocratic selection of party officials and candidates, and the corrupt image of the party's top leaders. During the 2004 campaign, Moscoso went as far as to claim legal ownership of Arias's image to inhibit former President and Arnulfista Guillermo Endara (a friend and confidant of Arnulfo Arias) from using photos and films of him with Arias to win traditional PA votes. Endara, together with Moscoso critics within the PA, wrested credibility (and many votes) from the party and its 2004 presidential candidate, Jose Miguel Aleman, who was unable to distance himself from Moscoso.

14. (SBU) The PA, even counting its allies from the 2004 election (MOLIRENA and PLN), is at statistical disadvantage compared to President Torrijos' Democratic Revolutionary Party (PRD). As of 09/30/2004, a snapshot of membership in Panama's seven legally constituted parties (about half of all registered voters) is:

Democratic Revolutionary Party (PRD)	428,575
Arnulfista Party (PA)	175,835
Natl. Liberal Republican Movement (MOLIRENA)	99,029
National Liberal Party (PLN)	75,373
Solidarity Party (PS)	70,710
Democratic Change Party (CD)	54,966
Popular Party (PP)	49,735
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TOTAL	954,223

Between January 2004 (the peak of the campaign) and September 2004 (Torrijos' inauguration), Arnulfista Party membership dropped 9%, as the party lost over 17,000 members (many of them defecting to ex-PA leader Endara). (Only four thousand left the PRD in the same period.)

WHO CAN PICK UP THE PIECES?

15. (SBU) Several emerging leaders have proposed fresh ideas to counteract the ill effects of the PA's lost credibility and waning membership. All of them have previous campaign experience. All but one have previously worked in the public sector. One sits on the PA Board of Directors that has been so harshly criticized. Another was expelled from the PA in 1999, but maintains family connections on the inside.

UP-AND-COMERS -- THE VARELAS

16. (C) The well-regarded Varela brothers are working together to reform the Arnulfista Party from inside and out. The Arnulfista Party expelled Juan Carlos for supporting the 1999 presidential campaign of Moscoso's competitor, banker Alberto Vallarino. (NOTE: PA bylaws bar someone who has been expelled from the party from returning, but Varela would be free to return if the party changed its name as proposed. (See Reftel.) END NOTE.) Juan Carlos's brother Jose Luis ("Popi") was re-elected to a second term in the Legislative Assembly with the Arnulfista Party in May 2004. Juan Carlos and Jose Luis are two of four sons of Luis Jose Varela Sr. The family owns one of Panama's biggest liquor distilleries and distributors, Varela Hermanos, S.A. Juan Carlos manages liquor distribution while a third brother, Luis Jose Jr., manages production.

THE AMEGLIO BROTHERS

17. (C) Marco (DOB: 28 FEB 1961) and Francisco (DOB: 21 JAN 1954) Ameglio are dynamic leaders who have consistently worked in unison. Francisco has now willingly taken a back seat to Marco, a legislator during fifteen years (1989-2004) who was President of the Legislative Assembly at age 30 (1991-92) and ran for Mayor of Panama City in May 2004. A testament to his popularity with urban voters, Electoral Tribunal statistics show that Marco Ameglio won more votes in his mayoral bid from Panama City voters (100,322) than Aleman won in his presidential bid in the entire province of Panama (83,680). Marco's current aspiration appears to be securing the 2009 PA nomination for president and beginning to campaign ASAP. Marco, who was a pre-candidate for the party's 2004 presidential nomination, has not forgiven Moscoso for orchestrating his embarrassing loss during the June 2003 PA nominating convention from which Jose Miguel Aleman emerged victorious.

LEGISLATOR JOSE BLANDON

18. (C) Jose Isabel Blandon Figueroa (DOB: 07 JUL 1968), a legislator since 1999, is often considered the unofficial spokesman for the Arnulfista Party and continually appears in the media. He became famous when dictator Manuel Noriega had him arrested and held hostage in 1989 after his father (Jose Isabel Blandon Sr.) testified against Noriega in the United States. A lawyer by profession, Blandon's legislative initiatives tend to be progressive, and well seated in existing constitutional and legal frameworks. Like his father, Blandon is a clever strategist who ably manipulates the political atmosphere to achieve his desired results. PA

opponents view most Blandon initiatives with suspicion, looking for the hidden agenda. For instance, Blandon challenged President Torrijos to live up to his "zero corruption" campaign pledge when presenting a laudable package of reforms based on model legislation posted on Transparency International's website. Among other things, the proposed reforms would de-criminalize libel, protect whistleblowers, and codify conflicts of interests, but most have not prospered, offering Blandon ammunition to attack the PRD. (See Septel.)

PA SECRETARY GENERAL CARLOS RAUL PIAD

9. (C) Even during Carlos Raul Piad's time as campaign manager for Jose Miguel Aleman in the May 2004 election, his frustration with President Moscoso's "caudillista" ways became evident. Piad, forced by his position on the PA Board to remain neutral, recently told us, "We need to make changes soon, but the Varelas and the Ameglios are being too aggressive and that could end up hurting us." As Secretary General of the Arnulfista Party (the same position that President Torrijos holds in the PRD) Piad should have controlled the PA's operations, but Moscoso countermanded him on numerous occasions, undermining credibility with the party masses that he had cultivated since her 1994 electoral loss. Carlos Raul Piad saw firsthand how Aleman's inability to distance himself from Moscoso doomed his campaign to failure. Also, Piad would have been aware of Moscoso's rumored betrayal of Aleman by channeling away campaign funds she had promised to him to other candidates like Legislator Pacifico Escalona, the brother of her paramour. Piad's management and leadership credentials are beyond question, given his 1987 American University finance degree, twelve years managing the family business, and four years managing the state-owned Caja de Ahorros savings bank. His ability to maintain a leadership position within the PA may well be a determining factor in its success in the 2009 general election.

COMMENT: WHAT COMES NEXT AND WHAT DOES IT MEAN FOR THE USG?

10. (C) The Arnulfista Party is in no danger of disappearing as a political force, but internal bickering is distracting it from strengthening the party and recruiting new members. (Ironically, many observers point out that the PA probably has a more capable cadre of young leaders than the PRD, which relies on a highly disciplined but mediocre cadre of mid-level leaders.) No one can predict exactly what will come of the Arnulfista Party, but Panama's recent electoral history yields a critical lesson. Panama's 1999 and 2004 presidential winners were its 1994 and 1999 presidential losers, respectively. In both cases, they began a new campaign immediately after losing the first. So far, none of the losing candidates (Guillermo Endara, Ricardo Martinelli, or Jose Miguel Aleman) looks capable of winning in 2009. Also, the PA's prospects will improve once Mireya Moscoso is no longer party president.

11. (C) Until the Martin Torrijos administration, USG relations have tended to be more amicable with non-PRD governments. Unlike the PRD administration of Ernesto Perez Balladares (1994-99), which exploited latent anti-Americanism left over from Operation Just Cause and a continued U.S. military presence in Panama to its political advantage, the Torrijos administration has taken a decidedly pro-USG posture, offering to expand and improve bilateral relations. Barring a crippling outcome from an expected PRD internal battle between pro-Martin Torrijos forces and marginalized old guard elements (a fight that Torrijos and those close to him hope to put off until internal 2006 Board elections) the PRD's size advantage and recent electoral performance may well propel it to another win in 2009. Given the centripetal tendencies now affecting the PRD's opponents, the Arnulfistas face an uphill fight to form an effective anti-PRD coalition. But forming such a coalition is their only chance for a strong 2009 showing. For the USG, building on the commercial and cultural ties between the U.S. and Panama toward a more mature bilateral relationship across party lines is the best way to ensure continued cooperation with whoever emerges victorious. In this sense, we share the same interest of Panamanians who want to maintain a truly competitive political process in which no single party dominates the system.

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